

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06

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STR-04 ARA-06 OIC-02 XMB-02 /098 W

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INFO ALL OECD CAPITALS 0416

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PASS TREASURY FOR PARSKY; CEA; AND AID

E.O. 11652: N/A

TAGS: EFIN, OECD, CIEC

SUBJECT: TEMPORARY WORKING PARTY OF THE ECONOMIC POLICY
COMMITTEE (TWP) MEETING, SEPTEMBER 9, 1976

REF: (A) OECD PARIS 26314, (B) OECD PARIS 26484

1. IN BRIEF MEETING OF TWP ON SEPTEMBER 9 (WITH JOHN
FAY OF OECD SECRETARIAT SUBSTITUTING FOR VAN YPERSELE
AS CHAIRMAN), A PRELIMINARY EXCHANGE OF VIEWS OF VARIOUS
DELEGATIONS ON THE ANTICIPATED WORK PROGRAM ITEMS OF THE
FINANCE COMMISSION OF CIEC TOOK PLACE. FOLLOWING IS
BRIEF ITEM-BY-ITEM BREAKDOWN.

2. ACCESS TO CAPITAL MARKETS AND DIRECT INVESTMENT:
SWISS DEL PRESENTED PAPER WHICH PROPOSED A MULTILATERAL
"SOLUTION" IN THE FIELD OF LDC ACCESS TO CAPITAL MARKETS
WHICH WOULD BE LINKED WITH SIMILARLY MULTILATERAL
ARRANGEMENTS WITH REGARD TO INVESTMENT PROTECTION
(INSURANCE AND GUARANTEES). SWISS ARGUED THAT IN THIS
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WAY MANY PSYCHOLOGICAL DIFFICULTIES OF LDC'S WITH NOTION

OF GIVING PROTECTION TO CAPITAL INFLOWS FROM DC'S COULD BE OVERCOME BY LINKING SUCH PROTECTION WITH BETTER LDC ACCESS TO CAPITAL MARKETS OF DC'S. THE SWISS PROPOSAL SUGGESTED BASICALLY: (A) ELIMINATION OF DISCRIMINATORY PRACTICES; (B) POSITIVE ATTITUDES TOWARDS LDC CAPITAL MARKETS ACCESS; (C) ELABORATION OF A MULTILATERAL GUARANTEE SCHEME; (D) INCREASED COOPERATION BETWEEN CREDITORS AND DEBTORS AS TO IMPROVING CREDITWORTHINESS OF LDC'S. EC DEL, WHILE POLITELY CALLING SWISS PROPOSAL USEFUL, DID NOT FEEL THAT CIEC PROVIDED THE RIGHT FORUM FOR MANY OF THE PROPOSALS OF THE SWISS. HE NOTED FOR EXAMPLE THAT ON QUESTION OF LDC ACCESS TO CAPITAL MARKETS, THE IBRD/IMF DEVELOPMENT COMMITTEE WORKING GROUP ON CAPITAL MARKETS HAD DRAFTED AN INTERIM REPORT, AND IT IS DIFFICULT TO SEE THAT CIEC COULD ADD TO IT. EC DEL ALSO QUESTIONED USEFULNESS OF MULTILATERAL AGREEMENTS AND INSURANCE SCHEMES ON PROTECTION OF DIRECT INVESTMENT IN LDC'S. WORK ELSEWHERE ON CODES OF CONDUCT FOR MNE'S (I.E. IN UN) SHOULD BE ENCOURAGED, BUT NOT HANDLED IN CIEC. US DEL (WITHERELL) WAS EVEN MORE RETICENT ON PROSPECTS FOR MULTILATERAL INVESTMENT GUARANTEE SCHEME THAN EC, ALTHOUGH HE WAS SUPPORTIVE OF IDEA OF MULTILATERAL PROTECTION.

3. DEBT: DISCUSSION ON DEBT ISSUES WHICH TOOK PLACE DURING TWP, WAS IN EFFECT CONTINUATION OF AD HOC MEETING OF DEBT EXPERTS SEPT. 7-8 AND WAS COVERED IN REPORT CONTAINED REFTEL B.

4. PROTECTION OF SURPLUS ASSETS OF OIL EXPORTING COUNTRIES: US DEL PRESENTED PAPER (IN FORM OF DRAFT CONCLUSIONS OF CIEC) ON THIS SUBJECT FOR CONSIDERATION BY TWP. RESPONSE, WHILE TENTATIVE, WAS GENERALLY FAVORABLE. EC DEL AGREED WITH MOST OF US IDEAS, WITH EXCEP-

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TION OF EXPRESSING CAUTION ABOUT MOVING WITH ANY SPEED
TOWARD DEVELOPMENT OF A MULTILATERAL CONVENTION FOR THE
BASIC PROTECTION OF FOREIGN INVESTMENTS IN PARTICIPATING
COUNTRIES.

5. COOPERATION AMONG LDC: LITTLE SAID ABOUT THIS SUB-
JECT, WITH EXCEPTION THAT THIS ISSUE OBVIOUSLY IMPORTANT
TO LDC'S, AND IT WILL BE LOOKED AT AGAIN AFTER MEXICO
CITY MEETINGS AMONG LDC'S ON THIS SUBJECT. MAIN CAUTION
EXPRESSED WAS ABOUT ANY SIZEABLE SUBSIDY FROM DC'S FOR
LDC COOPERATION AND DANGER THAT ARRANGEMENT AMONG LDC'S
COULD BECOME EXCESSIVELY DISCRIMINATORY.

6. MEASURES AGAINST INFLATION: BOTH US AND EC PRE-
SENTED PAPERS ON THIS SUBJECT, WITH US PAPER GENERALLY
ANALYTIC IN NATURE (AND CONCENTRATING IN PART ON DEMAND
MANAGEMENT) AND THE EC PAPER RECOMMENDATORY IN SCOPE,
AND MORE EMBRACING, INCLUDING COMMENTS ON EXCHANGE RATES
AND AID TRANSFERS. AFTER PRIVATE DISCUSSION, US DEL
(JUNZ) ALONG WITH EC DEL MAY TRY TO MELD TWO PAPERS INTO
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ONE FOR FUTURE USE.

7. NEXT SCHEDULED TWP MEETING TENTATIVELY SET FOR
OCTOBER 18 AND 19.

8. REPORT ON SUPPORT FUND TOUR D'HORIZON WILL FOLLOW
SEPTTEL.
TURNER

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